

CALEDONIA COMMUNITY SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2008

Caledonia Community Schools

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Caledonia Community Schools

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Caledonia Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Caledonia Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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Board of Education
Caledonia Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caledonia Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008, on our consideration of Caledonia Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Norman J. Paulson, P.C.

October 8, 2008

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2008

This section of Caledonia Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Caledonia Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2007 Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statement Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2008

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	June 30	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 41,336,491	\$ 39,195,594
Capital assets - Net of accumulated depreciation	90,610,206	91,049,640
Other noncurrent assets	<u>241,138</u>	<u>251,622</u>
Total assets	132,187,835	130,496,856
Liabilities		
Current liabilities	11,252,200	8,002,293
Long-term liabilities	<u>118,180,154</u>	<u>121,255,696</u>
Total liabilities	129,432,354	129,257,989
Net Assets		
Invested in property and equipment - net of related debt	(1,728,611)	(1,821,663)
Restricted for debt service	116,465	602,680
Unrestricted	<u>4,367,627</u>	<u>2,457,850</u>
Total net assets	<u>\$ 2,755,481</u>	<u>\$ 1,238,867</u>

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$2,755,481 at June 30, 2008. Capital assets, net of related debt totaling \$(1,728,611) compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$4,367,627 was unrestricted.

The \$4,367,627 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 1,965,247	\$ 2,297,658
Grants and categoricals	5,703,951	4,276,146
General revenue:		
Property taxes	20,053,939	18,726,433
State foundation allowance	21,177,770	20,282,490
Interest and other	<u>2,183,948</u>	<u>440,804</u>
Total revenue	51,084,855	46,023,531
Function/Program Expenses		
Instruction	22,024,864	21,756,576
Support services	13,778,391	12,375,924
Community services	440,267	530,462
Food services	1,561,164	1,414,561
Athletics	697,385	704,960
Interest on long-term debt	6,802,162	5,765,758
Depreciation (unallocated)	<u>4,264,008</u>	<u>4,180,578</u>
Total expenses	<u>49,568,241</u>	<u>46,728,819</u>
Change in net assets	<u>\$ 1,516,614</u>	<u>\$ (705,288)</u>

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

As reported in the statement of activities, the cost of all governmental activities this year was \$49,568,241. Certain activities were partially funded from those who benefited from the programs \$(1,965,247) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(5,703,951). We paid for the remaining "public benefit" portion of our governmental activities with \$20,053,939 in taxes, \$21,177,770 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$1,516,614. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$34,625,529, which is a decrease of \$702,378 from last year. In the General Fund, our primary operating fund, the fund balance increased \$1,668,438 to \$5,962,299, a change of 39 percent. The General Fund fund balance has been reserved for prepaid expenditures - \$137,727; reserved for encumbrances - \$334,952; reserved for future projects - \$500,000; and undesignated - \$4,989,620.

In the Capital Projects Fund the fund balance decreased from \$30,300,254 to \$28,375,346. The purpose of the Capital Projects Fund is to continue to spend the fund balance to complete the voter approved purpose of constructing, furnishing and equipping a new elementary school and additions to other school buildings; remodeling, furnishing and refurnishing, and equipping and re-equipping school buildings; acquiring and installing educational technology improvements to school buildings; purchasing school buses; acquiring a site or sites; and developing and improving playgrounds, play fields, and athletic fields and facilities and sites; and paying the costs of issuing the Bonds.

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2008

In the Debt Service Fund the fund balance decreased \$486,215 to \$116,465. This decrease was primarily the result of property tax chargebacks of \$373,547. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue - related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance decreased \$5,168 to \$15,504.

Our Athletics Fund fund balance increased \$31,304 to \$64,962 and was supported by an operating transfer from the General Fund in the amount of \$445,000.

Our Child Care Fund fund balance increased \$13,923 to \$19,908.

Our Community Services Fund fund balance increased \$248 to \$71,045.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$1,299,822, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$638,353 of final budgeted revenues or 1.7 percent. The primary reason for the variance between the final budget and actual amounts were state aid adjustments for prior year property tax chargebacks.

Budgeted expenditures were increased \$838,485 during the year, to better reflect costs of operation. Actual expenditures ended the year under the final budget by \$555,732 or 1.5 percent. The primary reason for the variance between the final budget and actual amounts were prior year property tax chargebacks.

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2008

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$126,519,919 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net increase (including additions and disposals) of \$1,847,901, or 1.5 percent, from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 1,976,673	\$ 1,850,380
Buildings and improvements	98,592,177	98,592,177
Buses and other vehicles	3,129,346	2,780,720
Furniture and equipment	21,348,379	20,742,964
Outside site improvements	825,661	705,777
Construction in progress	<u>2,624,356</u>	<u>-</u>
Total capital assets	128,496,592	124,672,018
Less accumulated depreciation	<u>37,886,386</u>	<u>33,622,378</u>
Net capital assets	<u>\$ 90,610,206</u>	<u>\$ 91,049,640</u>

Debt

At the end of this year, the School District had long-term debt obligations totaling \$121,603,144 outstanding versus \$124,305,758 in the previous year - a change of 2.2 percent. During the year, the School District made scheduled bond principal payments of \$2,879,828. The debt obligations consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds, Net	\$115,214,837	\$118,085,552
School Bond Loan	5,740,464	5,337,627
Other	<u>647,843</u>	<u>882,579</u>
	<u>\$121,603,144</u>	<u>\$124,305,758</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

CALEDONIA COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2008

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 9753 Duncan Lake Ave., Caledonia, MI 49316.

CALEDONIA COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 7,207,040
Investments	28,302,056
Accounts receivable	32,281
Taxes receivable (net)	-
Due from other governmental units	5,644,135
Prepaid expense	137,727
Inventories	<u>13,252</u>
Total current assets	41,336,491
Noncurrent Assets:	
Capital assets	128,496,592
Less: accumulated depreciation	<u>(37,886,386)</u>
Net capital assets	90,610,206
Issuance cost for bonds, net	<u>241,138</u>
Total noncurrent assets	<u>90,851,344</u>
Total assets	132,187,835
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	3,096,892
Accrued payroll	2,565,787
Accrued benefits	1,048,283
Accrued interest	1,118,248
Other obligations	10,494
Bonds payable, due within one year	<u>3,412,496</u>
Total current liabilities	11,252,200
Noncurrent Liabilities:	
Other obligations	637,349
State School Bond loan	5,740,464
Bonds payable, net	<u>111,802,341</u>
Total noncurrent liabilities	<u>118,180,154</u>
Total liabilities	129,432,354
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt (Deficit)	(1,728,611)
Restricted for debt service	116,465
Unrestricted	<u>4,367,627</u>
Total net assets	<u>\$ 2,755,481</u>

See Notes to Financial Statements

CALEDONIA COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
				Net (Expense)
				Revenue and
				Changes in Net
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Assets</u>
		<u>Services</u>	<u>Grants/</u>	
			<u>Contributions</u>	
Functions/Programs				
Governmental activities:				
Instruction	\$ 22,024,864	\$ 17,303	\$ 5,272,102	\$ (16,735,459)
Support services	13,778,391	180,453	-	(13,597,938)
Food services	1,561,164	1,124,147	431,849	(5,168)
Athletics	697,385	283,689	-	(413,696)
Community services	440,267	359,655	-	(80,612)
Interest on long-term debt	6,802,162	-	-	(6,802,162)
Depreciation (unallocated)	<u>4,264,008</u>	<u>-</u>	<u>-</u>	<u>(4,264,008)</u>
Total Governmental activities	<u>\$ 49,568,241</u>	<u>\$ 1,965,247</u>	<u>\$ 5,703,951</u>	(41,899,043)
General revenues:				
Taxes				
Property taxes, levied for general operations				10,998,928
Property taxes, levied for debt service				9,055,011
State aid not restricted to specific purposes				21,177,770
Interest and investment earnings				2,039,737
Other				<u>144,211</u>
Total general revenues				<u>43,415,657</u>
Change in Net Assets				1,516,614
Net Assets - Beginning of year				<u>1,238,867</u>
Net Assets - End of year				<u>\$ 2,755,481</u>

See Notes to Financial Statements

CALEDONIA COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	<u>General</u>	<u>2007 Capital Projects</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,749,608	\$ 1,114,211	\$ 146,547
Investments	-	28,302,056	-
Accounts receivable	14,863	-	-
Due from other governmental units	5,635,052	-	-
Due from other funds	3,222	-	340,723
Prepaid expenditures	137,727	-	-
Inventories	-	-	-
Total assets	<u>\$11,540,472</u>	<u>\$ 29,416,267</u>	<u>\$ 487,270</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,607,425	\$ 1,040,921	\$ 370,805
Accrued payroll	2,565,787	-	-
Accrued benefits	1,048,283	-	-
Due to other funds	356,678	-	-
Deferred revenue	-	-	-
Total liabilities	5,578,173	1,040,921	370,805
Fund Balances:			
Reserved:			
Future projects	500,000	-	-
Encumbrances	334,952	-	-
Prepaid expenditures	137,727	-	-
Inventories	-	-	-
Debt service	-	-	116,465
Capital projects	-	28,375,346	-
Unreserved:			
Undesignated	<u>4,989,620</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,962,299</u>	<u>28,375,346</u>	<u>116,465</u>
Total liabilities and fund balances	<u>\$11,540,472</u>	<u>\$ 29,416,267</u>	<u>\$ 487,270</u>

See Notes to Financial Statements

Other Nonmajor Governmental Total	Total
\$ 196,674	\$ 7,207,040
-	28,302,056
17,418	32,281
9,083	5,644,135
15,955	359,900
-	137,727
<u>13,252</u>	<u>13,252</u>
<u>\$ 252,382</u>	<u>\$ 41,696,391</u>

\$ 77,741	\$ 3,096,892
-	2,565,787
-	1,048,283
3,222	359,900
<u>-</u>	<u>-</u>

80,963 7,070,862

-	500,000
-	334,952
-	137,727
13,252	13,252
-	116,465
-	28,375,346
<u>158,167</u>	<u>5,147,787</u>
<u>171,419</u>	<u>34,625,529</u>
<u>\$ 252,382</u>	<u>\$ 41,696,391</u>

CALEDONIA COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds \$ 34,625,529

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds.

The cost of the capital assets is 128,496,592

Accumulated depreciation is (37,886,386)

Total 90,610,206

Long-term liabilities are not due and payable in the
current period and are not reported in the funds:

Other accrued obligations (647,843)

State School Bond loan (5,740,464)

Bonds payable, net (115,214,837)

Issuance cost for bonds, net 241,138

Accrued interest payable on long-term liabilities is not
included as a liability in governmental activities (1,118,248)

Net assets of governmental activities \$ 2,755,481

See Notes to Financial Statements

CALEDONIA COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>2007 Capital Projects</u>	<u>Debt Service</u>
Revenues:			
Local sources	\$11,454,384	\$ 1,868,075	\$ 9,113,184
State sources	23,300,146	-	-
Federal sources	959,215	-	-
Interdistrict	<u>2,190,511</u>	<u>-</u>	<u>-</u>
Total revenues	37,904,256	1,868,075	9,113,184
Expenditures:			
Instruction	22,259,600	-	-
Supporting services	13,436,435	-	-
Community services	94,783	-	-
Food services	-	-	-
Athletics	-	-	-
Child care	-	-	-
Capital outlay	-	3,792,983	-
Debt service			
Principal payment	-	-	2,879,828
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>6,881,006</u>
Total expenditures	<u>35,790,818</u>	<u>3,792,983</u>	<u>9,760,834</u>
Excess (deficiency) of revenues over expenditures	2,113,438	(1,924,908)	(647,650)
Other financing sources (uses):			
Proceeds from School Bond loan	-	-	161,435
Operating transfers in	-	-	-
Operating transfers out	<u>(445,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(445,000)</u>	<u>-</u>	<u>161,435</u>
Net change in fund balances	1,668,438	(1,924,908)	(486,215)
Fund balances, July 1	<u>4,293,861</u>	<u>30,300,254</u>	<u>602,680</u>
Fund balances, June 30	<u>\$ 5,962,299</u>	<u>\$ 28,375,346</u>	<u>\$ 116,465</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 1,767,491	\$ 24,203,134
62,354	23,362,500
369,495	1,328,710
<u>-</u>	<u>2,190,511</u>
2,199,340	51,084,855
-	22,259,600
-	13,436,435
246,169	340,952
1,561,164	1,561,164
697,385	697,385
99,315	99,315
-	3,792,983
-	2,879,828
<u>-</u>	<u>6,881,006</u>
<u>2,604,033</u>	<u>51,948,668</u>
(404,693)	(863,813)
-	161,435
445,000	445,000
<u>-</u>	<u>(445,000)</u>
<u>445,000</u>	<u>161,435</u>
40,307	(702,378)
<u>131,112</u>	<u>35,327,907</u>
<u>\$ 171,419</u>	<u>\$ 34,625,529</u>

GOVERNMENTAL FUNDS

Net change in Fund Balances - Total Governmental Funds	\$ (702,378)
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Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,264,008)
Capital outlay	3,824,574

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid:

Accrued interest payable beginning of the year	1,084,544
Accrued interest payable end of the year	(1,118,248)

Repayments of principal on long-term debt and issuance costs are expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Interest added to State School Bond loan	(241,402)
Repayment of principal on long-term debt	2,879,828
Proceeds from state school bond loan borrowing	(161,435)
Amortization of bond issue premium	31,625
Amortization of bond issue discount	(6,547)
Amortization of deferred amount on bond refunding	(34,191)
Amortization of bond issuance costs	(10,484)

Accrued severance pay and compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.

Accrued obligations beginning of year	882,579
Accrued obligations end of year	<u>(647,843)</u>

Change in Net Assets of Governmental Activities	\$ 1,516,614
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CALEDONIA COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

Agency Fund

ASSETS

Cash and cash equivalents

\$ 557,887

LIABILITIES

Due to school related organizations

\$ 557,887

See Notes to Financial Statements

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Caledonia Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2007 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund, Food Services Fund, Child Care Fund and Community Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

CALEDONIA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Capital Projects Fund Compliance - The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2008, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Business services	\$ 618,483	\$ 1,444,249	\$ 825,766
Transportation	2,332,464	2,420,364	87,900
Food Services Fund			
Support services	1,399,470	1,561,164	161,694

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - CASH AND CASH EQUIVALENTS

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 7,207,040</u>	<u>\$ 557,887</u>	<u>\$ 7,764,927</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$8,011,709. Of that amount, \$500,000 was covered by federal depository insurance coverage or secured and \$7,511,709 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - INVESTMENTS

Michigan Public Acts 217 and 367 of 1982 authorize school districts to invest surplus monies in U.S. bonds and notes, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, U.S. Government repurchase agreements, bankers acceptances, mutual funds, and government pools that are composed of authorized investments.

The School District's investments at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
U.S. Government Agency Bonds	\$ 24,329,871	\$ -	\$ 24,329,871
Money Market	<u>3,972,185</u>	<u>-</u>	<u>3,972,185</u>
	<u>\$ 28,302,056</u>	<u>\$ -</u>	<u>\$ 28,302,056</u>

The School District's investments are classified by risk level as investments that are uninsured and unregistered held by the counterparty's trust department or agent in the School District's name.

CALEDONIA COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - Land	\$ 1,850,380	\$ 126,293	\$ -	\$ 1,976,673
Capital assets being depreciated:				
Buildings and building improvements	98,592,177	-	-	98,592,177
Buses and other vehicles	2,780,720	348,626	-	3,129,346
Furniture and equipment	20,742,964	605,715	-	21,348,379
Outside site improvements	705,777	119,884	-	825,661
Construction in progress	-	2,624,356	-	2,624,356
Subtotal	122,821,638	3,698,281	-	126,519,919
Accumulated depreciation:				
Buildings and building improvements	19,622,793	1,971,844	-	21,594,637
Buses and other vehicles	1,517,546	340,702	-	1,858,248
Furniture and equipment	12,434,987	1,896,418	-	14,331,405
Outside site improvements	47,052	55,044	-	102,096
Subtotal	33,622,378	4,264,008	-	37,886,386
Net capital assets being depreciated	89,199,260			88,633,533
Net capital assets	\$ 91,049,640			\$ 90,610,206

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

The School District has active construction projects at year end. These construction projects are being completed from funds received by the \$29,950,000 2007 Building and Site Bond Issue. The District's cumulative expenditures at June 30, 2008 from this bond issue amounted to \$4,265,660.

CALEDONIA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
Debt Service Fund	General Fund	\$ 340,723
General Fund	Other governmental funds	3,222
Other governmental funds	General Fund	<u>15,955</u>
		<u>\$ 359,900</u>

Interfund Transfers:

	Transfer Out:
	General Fund
Transfer in:	
Other governmental funds	<u>\$ 445,000</u>

NOTE 7 - LONG-TERM DEBT

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include accumulated severance pay and accrued compensated absences.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds, net	\$118,085,552	\$ -	\$ 2,870,715	\$115,214,837	<u>\$3,412,496</u>
School Bond Loan	5,337,627	402,837	-	5,740,464	<u>\$ -</u>
Other Oblig.	<u>882,579</u>	<u>-</u>	<u>234,736</u>	<u>647,843</u>	<u>\$ 10,494</u>
Totals	<u>\$124,305,758</u>	<u>\$ 402,837</u>	<u>\$ 3,105,451</u>	<u>\$121,603,144</u>	

CALEDONIA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT - (Continued)

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,412,496	\$ 6,709,490	\$ 10,121,986
2010	3,412,605	6,731,695	10,144,300
2011	4,890,000	5,244,511	10,134,511
2012	5,101,000	5,028,801	10,129,801
2013	5,310,000	4,818,626	10,128,626
Thereafter	<u>93,059,000</u>	<u>36,801,930</u>	<u>129,860,930</u>
	<u>\$115,185,101</u>	<u>\$65,335,053</u>	<u>\$180,520,154</u>

Governmental Activities:

General obligation bonds consist of:

1992 Capital Appreciation Bond due in amounts ranging from \$549,700 through \$578,254 plus interest at 5.6% - 6.55% through 2010	\$ 1,145,101
1999 Bonds due in amounts ranging from \$65,000 through \$2,045,000 plus interest at 3.80% - 4.95% through 2022	16,075,000
2000 Bonds (remaining portion after 2005 Refunding) due in amounts ranging from \$1,450,000 through \$1,475,000 plus interest at 4.55% - 4.80% through 2010	2,925,000
2003 Refunding Bonds due in amounts ranging from \$160,000 through \$2,430,000 plus interest at 2.0% - 5.25% through 2022	27,215,000
2005 Refunding Bonds due in amounts ranging from \$100,000 through \$3,385,000 plus interest at 3.0% - 5.00% through 2025	37,875,000
2007 Bonds due in amounts ranging from \$575,000 through \$1,925,000 plus interest at 4.0% - 5.0% through 2032	<u>29,950,000</u>

CALEDONIA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT - (Continued)

General obligation bonds consist of:

Total general obligation bonded debt	115,185,101
Less: deferred amount on bond refunding	(547,062)
Less: discount on bond	(150,577)
Plus: premium on bond	<u>727,375</u>
Total bonds payable, net	<u>\$115,214,837</u>

Other governmental activity long-term obligations include:

Accrued FICA tax on severance pay agreements	\$ 35,453
Compensated absences	<u>612,390</u>
Total other governmental activity long-term obligations	<u>\$ 647,843</u>

School Bond Loan - The school bond loan payable represent notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Borrowings by the School District from the School Bond Loan Fund totaled \$5,740,464 at the year ended June 30, 2008. Interest expense totaling \$241,402 at interest rates of 4.25% and 4.82341%, has been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills or such lower millage as prescribed by law. The School District is required to levy the aforementioned mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

CALEDONIA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$3,282,914, \$3,224,717, and \$2,928,436.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

CALEDONIA COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED June 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 10,958,370	\$ 11,757,310	\$ 11,454,384	\$ (302,926)
State sources	22,303,702	22,284,113	23,300,146	1,016,033
Federal sources	857,783	1,047,480	959,215	(88,265)
Interdistrict	<u>1,846,226</u>	<u>2,177,000</u>	<u>2,190,511</u>	<u>13,511</u>
Total revenue	35,966,081	37,265,903	37,904,256	638,353
Expenditures:				
Instruction:				
Basic programs	17,434,579	18,169,848	17,675,666	(494,182)
Added needs	5,198,649	4,928,530	4,583,934	(344,596)
Support services:				
Pupil	582,378	755,902	653,098	(102,804)
Instructional staff	686,554	678,015	631,131	(46,884)
General administration	634,280	662,804	627,169	(35,635)
School administration	2,467,645	2,578,618	2,575,952	(2,666)
Business services	591,177	618,483	1,444,249	825,766
Operations and maintenance	4,555,855	4,554,593	4,289,004	(265,589)
Transportation	2,254,277	2,332,464	2,420,364	87,900
Central services	1,000,719	966,689	795,468	(171,221)
Community services	<u>101,952</u>	<u>100,604</u>	<u>94,783</u>	<u>(5,821)</u>
Total expenditures	<u>35,508,065</u>	<u>36,346,550</u>	<u>35,790,818</u>	<u>(555,732)</u>
Excess (deficiency) of revenues over expenditures	458,016	919,353	2,113,438	1,194,085
Other financing sources (uses):				
Operating transfers out	<u>(445,000)</u>	<u>(445,000)</u>	<u>(445,000)</u>	<u>-</u>
Net change in fund balance	13,016	474,353	1,668,438	1,194,085
Fund balance, July 1	<u>4,293,861</u>	<u>4,293,861</u>	<u>4,293,861</u>	<u>-</u>
Fund balance, June 30	<u>\$ 4,306,877</u>	<u>\$ 4,768,214</u>	<u>\$ 5,962,299</u>	<u>\$ 1,194,085</u>

OTHER SUPPLEMENTAL INFORMATION

CALEDONIA COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources	
Current property taxes	\$ 10,998,928
Interest on investments	113,489
Transportation fees	77,100
Charges for services	76,773
Rent	103,353
Reimbursements	73,531
Miscellaneous revenues	<u>11,210</u>
Total revenues from local sources	11,454,384
Revenues from state sources	
Foundation	21,150,769
Renaissance zone	27,001
At Risk	246,957
Early childhood education	51,000
Special education	1,778,609
Vocational education	<u>45,810</u>
Total revenues from state sources	23,300,146
Revenues from federal sources	
Title I	113,810
Special education	755,836
Title V LEA Allocation	788
Technology literacy	1,075
Improving Teacher Quality	79,604
Drug-Free schools	7,036
Medicaid	<u>1,066</u>
Total revenues from federal sources	959,215
Revenues from other districts	
Other programs	117,950
Special education - local reimb.	<u>2,072,561</u>
Total revenues from other districts	<u>2,190,511</u>
Total revenues	<u>\$ 37,904,256</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Basic Programs

Pre-school

Salaries	\$ 24,269
Employee benefits	6,022
Contracted services	117
Supplies and materials	8,073
Capital outlay	-
Other	<u>228</u>

Total pre-school instructional expenditures	38,709
---	--------

Elementary

Salaries	5,369,676
Employee benefits	2,613,918
Contracted services	114,681
Supplies and materials	153,573
Capital outlay	-
Other	<u>-</u>

Total elementary instruction expenditures	8,251,848
---	-----------

Middle School

Salaries	2,609,614
Employee benefits	1,268,492
Contracted services	47,307
Supplies and materials	61,082
Capital outlay	-
Other	<u>-</u>

Total Middle School instruction expenditures	3,986,495
--	-----------

High School

Salaries	3,364,241
Employee benefits	1,743,937
Contracted services	122,600
Supplies and materials	167,836
Capital outlay	-
Other	<u>-</u>

Total high school instruction expenditures	<u>5,398,614</u>
--	------------------

Total basic programs	17,675,666
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CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued

YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Added Needs

Special education

Salaries	2,002,702
Employee benefits	1,017,198
Purchased services	959,051
Supplies and materials	18,073
Other	<u>154,261</u>

Total special education instruction expenditures	4,151,285
---	-----------

Compensatory education

Salaries	91,290
Employee benefits	22,520
Purchased services	-
Supplies and materials	788
Capital outlay	-
Other	<u>-</u>

Total compensatory education instruction expenditures	114,598
--	---------

Vocational education

Salaries	217,778
Employee benefits	57,238
Purchased services	4,021
Supplies and materials	39,014
Capital outlay	-
Other	<u>-</u>

Total vocational education instruction expenditures	<u>318,051</u>
--	----------------

Total added needs	<u>4,583,934</u>
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Total instruction expenditures	22,259,600
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CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES

Pupil Services

Guidance services

Salaries	154,117
Employee benefits	105,585
Supplies	<u>11,027</u>

Total guidance services 270,729

Other pupil services

Salaries	281,641
Employee benefits	86,287
Contracted services	6,879
Supplies	<u>7,562</u>

Total other pupil services 382,369

Total pupil services 653,098

Instructional Staff Services

Improvement of instruction

Contracted services	92,031
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Library

Salaries	216,120
Employee benefits	108,629
Supplies and materials	<u>15,679</u>

Total library expenditures 340,428

Supervision and direction

Salaries	120,770
Employee benefits	52,547
Contracted services	10,114
Supplies	2,357
Other	<u>12,884</u>

Total supervision and direction 198,672

Total instructional staff services 631,131

General Administrative Services

Board of education

Contracted services	50,571
Other	<u>77,026</u>

Total board of education expenditures 127,597

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Executive administration

Salaries	256,306
Employee benefits	161,890
Contracted services	8,701
Supplies and material	35,655
Capital outlay	21,786
Other	<u>15,234</u>

Total executive administration expenditures	<u>499,572</u>
--	----------------

Total general administrative services	627,169
---------------------------------------	---------

School Administrative Services

Office of the Principal

Salaries	1,485,473
Employee benefits	878,315
Contracted services	109,410
Supplies and material	98,940
Other	<u>3,814</u>

Total school administrative expenditures	2,575,952
--	-----------

Business Services

Fiscal charges

Salaries	95,571
Employee benefits	69,994
Contracted services	169,186
Other	87,803
Property tax chargebacks	<u>1,021,695</u>

Total business services expenditures	1,444,249
--------------------------------------	-----------

Operation and Maintenance

Operation and maintenance of plant

Salaries	1,422,196
Employee benefits	804,360
Contracted services	704,520
Supplies and materials	1,317,191
Capital outlay	40,737
Other	<u>-</u>

Total operation and maintenance expenditures	4,289,004
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CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Pupil Transportation

Pupil transportation services

Salaries	800,833
Employee benefits	565,157
Contracted services	649,444
Supplies and materials	404,930
Capital outlay	-
Other	-

Total pupil transportation services 2,420,364

Central Services

Staff/personnel services

Salaries	246,525
Employee benefits	120,280
Contracted services	-
Other	2,696

Total staff/personnel services 369,501

Technology services

Salaries	284,096
Employee benefits	129,311
Contracted services	3,362
Supplies	4,043
Capital outlay	-
Other	768

Total technology services 421,580

Other central services

Contracted services	4,387
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Total central services 795,468

Total supporting services expenditures 13,436,435

COMMUNITY SERVICES

Other Community Services

Salaries	71,079
Employee benefits	23,042
Other	662

Total community services 94,783

Total expenditures \$ 35,790,818

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

Special Revenue Funds

	<u>Food Services</u>	<u>Athletics</u>	<u>Child Care</u>	<u>Community Services</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 40,723	\$ 69,850	\$ 15,056	\$ 71,045
Accounts receivable	17,418	-	-	-
Due from other				
Governmental Units	9,083	-	-	-
Due from other funds	10,113	-	5,842	-
Inventory	13,252	-	-	-
Total assets	<u>\$ 90,589</u>	<u>\$ 69,850</u>	<u>\$ 20,898</u>	<u>\$ 71,045</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 75,085	\$ 1,666	\$ 990	\$ -
Due to other funds	-	3,222	-	-
Deferred Revenue	-	-	-	-
Total liabilities	75,085	4,888	990	-
Fund balances:				
Reserved for inventory	13,252	-	-	-
Unreserved:				
Undesignated	2,252	64,962	19,908	71,045
Total fund balances	15,504	64,962	19,908	71,045
Total liabilities and fund balances	<u>\$ 90,589</u>	<u>\$ 69,850</u>	<u>\$ 20,898</u>	<u>\$ 71,045</u>

Total

\$ 196,674
17,418

9,083
15,955
13,252

\$ 252,382

\$ 77,741
3,222

-

80,963

13,252

158,167

171,419

\$ 252,382

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Child Care</u>	<u>Community Services</u>
Revenues:				
Local sources	\$ 1,124,147	\$ 283,689	\$ 113,238	\$ 246,417
State sources	62,354	-	-	-
Federal sources	<u>369,495</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	1,555,996	283,689	113,238	246,417
Expenditures:				
Food services	1,561,164	-	-	-
Athletics	-	697,385	-	-
Child care	-	-	99,315	-
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,169</u>
Total expenditures	<u>1,561,164</u>	<u>697,382</u>	<u>99,315</u>	<u>246,169</u>
Excess (deficiency) of revenues over expenditure	(5,168)	(413,696)	13,923	248
Other financing sources:				
Operating transfers in	<u>-</u>	<u>445,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,168)	31,304	13,923	248
Fund balances, July 1	<u>20,672</u>	<u>33,658</u>	<u>5,985</u>	<u>70,797</u>
Fund balances, June 30	<u>\$ 15,504</u>	<u>\$ 64,962</u>	<u>\$ 19,908</u>	<u>\$ 71,045</u>

Total

\$ 1,767,491
62,354
369,495

2,199,340

1,561,164
697,385
99,315
246,169

2,604,033

(404,693)

445,000

40,307

131,112

\$ 171,419

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
FOOD SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues:			
Local sources	\$1,055,000	\$1,124,147	\$ 69,147
State sources	40,000	62,354	22,354
Federal sources	<u>327,000</u>	<u>369,495</u>	<u>42,495</u>
Total revenues	1,422,000	1,555,996	133,996
Expenditures:			
Salaries	236,950	170,443	(66,507)
Employee benefits	58,120	58,006	(114)
Purchased services	353,400	527,747	174,347
Supplies, material and other	740,000	794,155	54,155
Capital outlay	<u>11,000</u>	<u>10,813</u>	<u>(187)</u>
Total expenditures	<u>1,399,470</u>	<u>1,561,164</u>	<u>161,694</u>
Net change in fund balance	22,530	(5,168)	(27,698)
Fund balance - July 1	<u>20,672</u>	<u>20,672</u>	<u>-</u>
Fund balance - June 30	<u>\$ 43,202</u>	<u>\$ 15,504</u>	<u>\$ (27,698)</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
ATHLETIC FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues:			
Local sources	\$ 286,056	\$ 283,689	\$ (2,367)
Expenditures:			
Salaries	305,451	317,866	12,415
Employee benefits	86,186	80,575	(5,611)
Purchased services	171,976	209,415	37,439
Supplies, material and other	122,648	79,801	(42,847)
Capital outlay	<u>17,600</u>	<u>9,728</u>	<u>(7,872)</u>
Total expenditures	<u>703,861</u>	<u>697,385</u>	<u>(6,476)</u>
Excess (deficiency) of revenues over expenditures	(417,805)	(413,696)	4,109
Other financing sources:			
Operating transfers in	<u>445,000</u>	<u>445,000</u>	<u>-</u>
Net change in fund balance	27,195	31,304	4,109
Fund balance - July 1	<u>33,658</u>	<u>33,658</u>	<u>-</u>
Fund balance - June 30	<u>\$ 60,853</u>	<u>\$ 64,962</u>	<u>\$ 4,109</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
CHILD CARE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues:			
Local sources	\$ 115,500	\$ 113,238	\$ (2,262)
Expenditures:			
Salaries	75,206	70,709	(4,497)
Employee benefits	27,815	23,210	(4,605)
Purchased services	1,000	694	(306)
Supplies, material and other	6,100	4,702	(1,398)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>110,121</u>	<u>99,315</u>	<u>(10,806)</u>
Net change in fund balance	5,379	13,923	8,544
Fund balance - July 1	<u>5,985</u>	<u>5,985</u>	<u>-</u>
Fund balance - June 30	<u>\$ 11,364</u>	<u>\$ 19,908</u>	<u>\$ 8,544</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
COMMUNITY SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 249,891	\$ 246,417	\$ (3,474)
Expenditures:			
Salaries	111,800	122,399	10,599
Employee benefits	15,404	10,214	(5,190)
Purchased services	83,150	71,075	(12,075)
Supplies, material and other	47,612	42,481	(5,131)
Capital outlay	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total expenditures	<u>258,966</u>	<u>246,169</u>	<u>(12,797)</u>
Net change in fund balance	(9,075)	248	9,323
Fund balance - July 1	<u>70,797</u>	<u>70,797</u>	<u>-</u>
Fund balance - June 30	<u>\$ 61,722</u>	<u>\$ 71,045</u>	<u>\$ 9,323</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2008

	Balances <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	<u>\$ 463,703</u>	<u>\$ 929,416</u>	<u>\$ 835,232</u>	<u>\$ 557,887</u>
<u>LIABILITIES</u>				
Due to school related organizations	<u>\$ 463,703</u>	<u>\$ 929,416</u>	<u>\$ 835,232</u>	<u>\$ 557,887</u>

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0715300607 0815300708	\$ 93,883 115,151
Title V LEA Allocation	84.298	0702500607 0802500708	757 788
Improving Teacher Quality	84.367	0705200607 0605200607 0805200708	77,994 2,961 79,604
Technology Literacy	84.318	0742900607 0842900708	964 1,075
Passed Through Intermediate School District:			
IDEA Flow Through	84.027	0704500607 0804500708	630,626 721,058
IDEA Preschool	84.173	0704600607 0804600708	25,174 33,648
IDEA Transition	84.027A	080490-TS	1,130
Drug Free Schools	84.186A	0828600708	7,036

TOTAL DEPARTMENT OF EDUCATION

(continued on next page)

Accrued (Deferred) Revenue July 1, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2008
\$ 93,883	93,883	\$ -	\$ 93,883	\$ -
-		113,810	53,000	60,810
93,883		113,810	146,883	60,810
757	757	-	757	-
-		788	-	788
757		788	757	788
77,994	77,994	-	77,994	-
2,961	2,961	-	2,961	-
-		79,604	35,000	44,604
80,955		79,604	115,955	44,604
964	964	-	964	-
-		1,075	-	1,075
964		1,075	964	1,075
176,559		195,277	264,559	107,277
156,769	630,626	-	156,769	-
-		721,058	288,423	432,635
156,769		721,058	445,192	432,635
7,097	25,174	-	7,097	-
-		33,648	13,459	20,189
7,097		33,648	20,556	20,189
-		1,130	1,130	-
-		7,036	7,036	-
163,866		762,872	473,914	452,824
340,425		958,149	738,473	560,101

CALEDONIA COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
National School Lunch Program	10.555	07-08 06-07	226,311 222,465
National School Lunch Breakfast	10.553	07-08 06-07	50,929 42,655
Food Distribution			
Entitlement Commodities	10.550	07-08	61,059
Bonus Commodities		07-08	163
TOTAL DEPARTMENT OF AGRICULTURE			
<u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
School Based Medicaid	93.778	07-08	1,066
TOTAL FEDERAL FINANCIAL ASSISTANCE			

Notes:

- 1.* Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type programs-\$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting.

Accrued (Deferred) Revenue July 1, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2008
-		226,311	226,311	-
-	196,046	26,419	26,419	-
-		* 252,730	252,730	-
-		50,929	50,929	-
-	38,041	4,614	4,614	-
-		* 55,543	55,543	-
-		61,059	61,059	-
-		163	163	-
-		* 61,222	61,222	-
-		369,495	369,495	-
-		1,066	1,066	-
<u>\$ 340,425</u>		<u>\$ 1,328,710</u>	<u>\$1,109,034</u>	<u>\$ 560,101</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL
STATEMENTS PERFORMED IN OF ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Caledonia Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caledonia Community Schools as of and for the year ended June 30, 2008, which collectively comprise Caledonia Community Schools' basic financial statements and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Caledonia Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Caledonia Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Caledonia Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Norman & Paulson, P.C.

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Jamie T. Norman (1941-1982)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Caledonia Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 8, 2008

Norman J. Paulsen, P.C.



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Caledonia Community Schools, Michigan

Compliance - We have audited the compliance of Caledonia Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Caledonia Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Caledonia Community Schools' management. Our responsibility is to express an opinion on Caledonia Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caledonia Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Caledonia Community Schools' compliance with those requirements.

In our opinion, Caledonia Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Internal Control over Compliance - The management of Caledonia Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Caledonia Community Schools internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Caledonia Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Puckett, P.C.

October 8, 2008

CALEDONIA COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No material weakness or significant deficiency in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No material weakness or significant deficiency in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture:

Nutrition Cluster

10.555 National School Lunch Program

10.553 National School Breakfast Program

10.550 Commodities

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Caledonia Community Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

NONE

3. Findings and questioned costs for Federal awards:

NONE

4. Prior year findings:

NONE



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AUDIT-RELATED COMMUNICATIONS

To the Board of Education
Caledonia Community Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Caledonia Community Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated October 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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Rick L. Strawser, CPA

Janet T. Norman (1941-1982)

Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a *material weakness* in internal controls:

None Noted

We consider the following deficiencies to be significant deficiencies in internal control:

None Noted

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Caledonia Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Caledonia Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Accumulated compensated absences liability
Depreciation

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Caledonia Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of Caledonia Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

Norman J. Sullivan, P.C.

October 8, 2008

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